CHAPTER - III

RESEARCH

METHODOLOGY
RESEARCH METHODOLOGY

INTRODUCTION
Mutual fund is a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with the objective as disclosed in offer document. Investment in securities is spread across a wide section of industry and sector and the risk is reduced. Diversification reduces the risk because all stock may or may not move in the same direction in the same proportion to their proportion at the same time. Mutual fund issues units to the investors in accordance with quantum of money invested by them. Investor of mutual are called unit holders. The profit or losses are shared by the investors in proportion to their investment. The mutual fund usually comes out with a number of schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with the SEBI, which regulates securities markets before it can collect fund from the public.

The research work titled “A Study on Intensity of Mutual Fund Attributes on investor decisions” is paving a way to the fund houses determining the salient characteristics of mutual funds or Attributes of mutual funds as demanded by professional investors is of great importance for the mutual fund founder when introducing new funds and structuring the funds under their management. Furthermore, identifying such characteristic or attributes will guide the mutual fund houses and other small investors in their investment decision. Mutual fund is a topic which is of enormous interest not only researchers all over the world but also to investors. Mutual as a medium –to-long-term investment option is preferred as a suitable investment option by investors. However, with several market entrants the question is the choice of mutual fund. The study focuses on this problem of mutual fund selection by investors. Though the investment objective define investors intensity among fund types (Equity or Growth oriented fund, Debt, Balanced fund) and their attributes
NATURE OF THE STUDY
The research study involves exploration of which attribute of mutual fund is more intense effect on the investor decision and which attributes of mutual funds are relatively significant or insignificant for investors, and also to determine which level of each attributes is most or least preferred. The study involves collecting data through questionnaire and formulating the data in the required format to apply statistical tools like CWA, chi-square tests, to find out whether the investor are influenced by the attributes of mutual funds in mutual fund industry, are attributes are really significant in helping the users or not and to convey the same to mutual fund houses to use the findings for effective design and redesigning of mutual fund products.

SIGNIFICANCE OF THE STUDY
Becoming increasingly competitive, the mutual fund industry has registered rapid growth dramatically with more complex structure and increasing diversification. Determining the salient characteristics of mutual funds or Attributes of mutual funds as demanded by professional investors is of great importance for the mutual fund founder when introducing new funds and structuring the funds under their management. Furthermore, identifying such characteristics or attributes will guide the mutual fund houses and other small investors in their investment decision.

REVIEW OF LITERATURE
A large number of studies on the growth and financial performance of mutual funds have been carried out during the past, in the developed and developing countries. Brief reviews of the following research works reveal the wealth of contributions towards the performance evaluation of mutual fund, market timing and stock selection abilities of fund managers.
In India, one of the earliest attempts was made by National Council of Applied Economics Research (NCAER) in 1964 when a survey of households was undertaken to understand the attitude towards and motivation for savings of individuals. Another NCAER study in 1996 analyzed the structure of the capital market and presented the
views and attitudes of individual shareholders. SEBI – NCAER Survey (2000) was carried out to estimate the number of households and the population of individual investors, their economic and demographic profile, portfolio size, and investment preference for equity as well as other savings instruments. Data was collected from 30,00,000 geographically dispersed rural and urban households.

Some of the relevant findings of the study are: Households preference for instruments match their risk perception; Bank Deposit has an appeal across all income class; 43% of the non-investor households equivalent to around 60 million households apparently lack awareness about stock markets; and, compared with low income groups, the higher income groups have higher share of investments in Mutual Funds signifying that Mutual funds have still not become truly the investment vehicle for small investors. Since 1986, a number of articles and brief essays have been published in financial dailies, periodicals, and professional and research journals, explaining the basic concept of Mutual Funds and highlighted their importance in the Indian capital market environment. They touched upon varied aspects like regulation of Mutual Funds, Investor expectations, Investor protection, and growth of Mutual Funds and some on the performance and functioning of Mutual Funds. A few among them are Vidyashankar (1990), Sarkar (1991), Agarwal (1992), Sadhak (1991), Sharma C. Lall (1991), Samir K. Barua et al., (1991), Sandeep Bamzai (2001), Atmaramani (1995), Atmaramani (1996), Subramanyam (1999), Krishnan (1999), Ajay Srinivsasn (1999). Segmentation of investors on the basis of their characteristics was highlighted by Raja Rajan (1997). Investor’s characteristics on the basis of their investment size Raja Rajan (1997), and the relationship between stages in life cycle of the investors and their investment pattern was studied Raja Rajan (1998).

Friend, et al., (1962) made an extensive and systematic study of 152 mutual funds found that mutual fund schemes earned an average annual return of 12.4 percent, while their composite benchmark earned a return of 12.6 percent. Their alpha was negative with 20 basis points. Overall results did not suggest widespread inefficiency in the industry. Comparison of fund returns with turnover and expense categories did not reveal a strong relationship.
*Irwin, Brown, FE* (1965) analyzed issues relating to investment policy, portfolio turnover rate, performance of mutual funds and its impact on the stock markets. They identified that mutual funds had a significant impact on the price movement in the stock market. They concluded that, on an average, funds did not perform better than the composite markets and there was no persistent relationship between portfolio turnover and fund performance.

*Treynor* (1965) used ‘characteristic line’ for relating expected rate of return of a fund to the rate of return of a suitable market average. He coined a fund performance measure taking investment risk into account. Further, to deal with a portfolio, ‘portfolio-possibility line’ was used to relate expected return to the portfolio owner’s risk preference.

*Sharpe, William F* (1966) developed a composite measure of return and risk. He evaluated 34 open-end mutual funds for the period 1944-63. Reward to variability ratio for each scheme was significantly less than DJIA (Dow Jones Industrial Average) and ranged from 0.43 to 0.78. Expense ratio was inversely related with the fund performance, as correlation coefficient was 0.0505. The results depicted that good performance was associated with low expense ratio and not with the size. Sample schemes showed consistency in risk measure.

*Treynor and Mazuy* (1966) evaluated the performance of 57 fund managers in terms of their market timing abilities and found that, fund managers had not successfully outguessed the market. The results suggested that, investors were completely dependent on fluctuations in the market. Improvement in the rates of return was due to the fund managers’ ability to identify under-priced industries and companies. The study adopted Treynor’s (1965) methodology for reviewing the performance of mutual funds.

*Jensen* (1968) developed a composite portfolio evaluation technique concerning risk-adjusted returns. He evaluated the ability of 115 fund managers in selecting securities during the period 1945-66. Analysis of net returns indicated that, 39 funds had above
average returns, while 76 funds yielded abnormally poor returns. Using gross returns, 48 funds showed above average results and 67 funds below average results. Jensen concluded that, there was very little evidence that funds were able to perform significantly better than expected as fund managers were not able to forecast securities price movements.

**Fama** (1972) developed methods to distinguish observed return due to the ability to pick up the best securities at a given level of risk from that of predictions of price movements in the market. He introduced a multiperiod model allowing evaluation on a period-by-period and on a cumulative basis. He concluded that, return on a portfolio constitutes of return for security selection and return for bearing risk. His contributions combined the concepts from modern theories of portfolio selection and capital market equilibrium with more traditional concepts of good portfolio management.

**Williamson** (1972) compared ranks of 180 funds between 1961-65 and 1966-70. There was no correlation between the rankings of the two periods. The investment abilities of most of the fund managers were identical. He highlighted the growing prominence of volatility in the measurement of investment risk.

**Klemosky** (1973) analyzed investment performance of 40 funds based on quarterly returns during the period 1966-71. He acknowledged that, biases in Sharpe, Treynor, and Jensen’s measures, could be removed by using mean absolute deviation and semi-standard deviation as risk surrogates compared to the composite measures derived from the CAPM (Capital Asset Pricing Model).

**McDonald and John** (1974) examined 123 mutual funds and identified the existence of positive relationship between objectives and risk. The study identified the existence of positive relationship between return and risk. The relationship between objective and risk-adjusted performance indicated that, more aggressive funds experienced better results.
Gupta (1974) evaluated the performance of mutual fund industry for the period 1962-71 using Sharpe, Treynor, and Jensen models. All the funds covered under the study outperformed the market irrespective of the choice of market index. The results indicated that all the three models provided identical results. Return per unit of risk varied with the level of volatility assumed and he concluded that, funds with higher volatility exhibited superior performance.

Klemosky (1977) examined performance consistency of 158 fund managers for the period 1968-75. The ranking of performance showed better consistency between four-year periods and relatively lower consistency between adjacent two-year periods.

Chang and Lewellen (1984) used the method processed by Henryksson Merton and studied 67 mutual funds between 1971 and 1979. They divided data into up and down market components and computed two separate slope coefficient b1 and b2. Of the 67 mutual fund studied, only in 5 cases, data displayed statistically significant difference between b1 and b2. Majority of them were in the negative direction, suggesting poor market timings and they concluded that neither skillful market timing nor clever security selection abilities are evident in abundance in the observed mutual fund return data.

De Bondt and Thaler (1985) while investigating the possible psychological basis for investor behavior, argue that mean revision in stock prices is an evidence of investor over reaction where investors overemphasize recent firm performance in forming future expectations.

William fung and David a. hsieh (1988) explored the investment styles in mutual fund hedge funds. The results indicated that there were 39 dominants mutual fund styles that were mixed or specialized subsets of 9 broadly defined user classes. There was little evidence of market timing of asset class rotation in these dominants mutual fund style

Ippolito’s (1989) results and conclusions were relevant and consistent with the theory of efficiency of informed investors. He estimated that risk-adjusted return for the mutual fund industry was greater than zero and attributed positive alpha before load charges and
identified that fund performance was not related to expenses and turnover as predicted by efficiency arguments.

*Elton and Gruber, Grindblatt and Titman* (1989) found that there is some empirical evidence that mutual fund investors make purchase decision on the basis of past performance et all (1990). Some studies reveal that there is only a slight positive relationship or no relationship at all between previous performance and current returns. Blake et al (1993) Bogle (1992) Brown and Goetz man (1995) raised the question of why poorly performing funds still survive. Harless and Peterson (1998) explained that investors tend to choose funds based on previous performance but stick to these funds despite their poor return in a recent study of consumers rationally and the mutual fund purchase decision.

*Gupta Ramesh* (1989) evaluated fund performance in India comparing the returns earned by schemes of similar risk and similar constraints. An explicit risk-return relationship was developed to make comparison across funds with different risk levels. His study decomposed total return into return from investors risk, return from managers’ risk and target risk.

*Baruan Varuan* (1991) made an attempt to evaluate the master share scheme of UTI using the data from 1987 to 1980. Their conclusion was that the Master Share Scheme outperformed the market in terms of net assets value (NAV) and the master share scheme (MSS) benefited large investors rather than small investors.

*Obaidulla and Sridhar* (1991) evaluated the performance of two major growth oriental mutual fund schemes - Master share and Canshare. They both concluded that both the funds provided abnormal returns. Master share out performed based on market risk.

*Gupta L C* (1992) attempted a household survey of investors with the objective of identifying investors’ preferences for mutual funds so as to help policy makers and mutual funds in designing mutual fund products and in shaping the mutual fund industry.
Lal C and Sharma Seema (1992) identified that, the household sector’s share in the Indian domestic savings increased from 73.6 percent in 1950-51 to 83.6 percent in 1988-89. The share of financial assets increased from 56 percent in 1970-71 to over 60 percent in 1989-90 bringing out a tremendous impact on all the constituents of the financial market.

Ippolito (1992) documents the reaction of investors to performance in mutual fund industry. His findings have shown that poor relative performance results in investors shifting their assets into other funds.

Sitkin and Pablo (1992) developed a model of determinants of risk behavior. They found that personal risk preferences and past experiences form an important risk factor in which social influence also affects the individual’s perception. Sitkin and Weingart (1995) extended this model leading to the definition that risk perception and propensity are the mediators in risk behaviors of uncertain decision-making. In this hypothesis, past investment establishes the frame for the propensity to risk, risk transfer, and risk awareness which impact decision-making behavior. Thus risk orientation and risk perception are reduced to antecedent variables in decision-making behavior under risk.

Shashikant Uma (1993) critically examined the rationale and relevance of mutual fund operations in Indian Money Markets. She pointed out that money market mutual funds with low-risk and low return offered conservative investors a reliable investment avenue for short-term investment.

Ansari (1993) stressed the need for mutual funds to bring in innovative schemes suitable to the varied needs of the small savers in order to become predominant financial service institution in the country.

Shukla and Singh (1994) attempted to identify whether portfolio manager’s professional education brought out superior performance. They found that equity mutual funds managed by professionally qualified managers were riskier but better diversified than the
others. Though the performance differences were not statistically significant, the three professionally qualified fund managers reviewed outperformed others.

*Rich Fortin and Stuart Michelson* (1995) studied 1,326 load funds and 1,161 no load funds and identified that, no-load funds had lower expense ratio and so was suitable for six years and load funds had higher expense ratio and so had fifteen years of average holding period. No-load funds offered superior results in nineteen out of twenty-four schemes. He concluded that, a mutual fund investor had to remain invested in a particular fund for very long periods to recover the initial front-end charge and achieve investment results similar to that of no-load funds.

*Conrad S Ciccotello and C Terry Grant’s* (1996) study identified a negative correlation between asset size of the fund and the expense ratio. The results of the study brought out that, larger funds had lower expense acquire information for trading decision and were consistent with the theory of information pricing.

*Gupta and Sehgal* (1997) evaluated investment performance for the period 1992 to 1996. Aspects of Mutual fund such as fund diversification, consistency of performance, consistency between risk measures, fund objectives and risk return relation in general were studied. For the study 80 mutual fund schemes of private and public sector were taken. Out of 80 schemes, 54 were close-ended and the 26 were open-ended. Results showed that income growth schemes were the best performers with mean weekly returns of .0087 against mean weekly returns from income growth schemes of .0021 and .0023 respectively. LIC Dhansahyog, Reliance growth and Birla Income Plus were the best income growth and growth income schemes respectively.

**Gupta (1994)** made a household investor survey with the objective to provide data on the investor preferences on Mutual Funds and other financial assets. The findings of the study were more appropriate, at that time, to the policy makers and mutual funds to design the financial products for the future.

**Sujit Sikidar and Amrit Pal Singh** (1996) carried out a survey with an objective to understand the behavioral aspects of the investors of the North Eastern region towards equity and mutual funds investment portfolio. The survey revealed that the salaried and self-employed formed the major investors in mutual fund primarily due to tax concessions. UTI and SBI schemes were popular in that part of the country then and other funds had not proved to be a big hit during the time when survey was done.

**Shyama Sunder** (1998) conducted a survey to get an insight into the mutual fund operations of private institutions with special reference to Kothari Pioneer. The survey revealed that awareness about Mutual Fund concept was poor during that time in small cities like Visakhapatnam.

**Anjan Chakrabarti and Harsh Rungta** (2000) stressed the importance of brand effect in determining the competitive position of the AMCs. Their study revealed that brand image factor, though cannot be easily captured by computable performance measures, influences the investor’s perception and hence his fund/scheme selection.

**Block, Stanley B. and French, Dan W.** (2000) conducted a study on Portfolios of equity mutual funds. They proposed two-index model using both the value-weighted and an equally weighted index. Estimated models using a sample of 506 mutual funds show that the two-index model provides a better fit than the single-index model and identifies a larger set of funds with abnormal performance.

**Ramesh Chander** (2000) examined 34 mutual fund schemes with reference to the three fund characteristics with 91-days treasury bills rated as risk-free investment from January 1994 to December 1997. Returns based on NAV of many sample schemes were superior
and highly volatile compared to BSE SENSEX. Open-end schemes outperformed close-end schemes in term of return. Income funds outsmarted growth and balanced funds. Banks and UTI sponsored schemes performed fairly well in relation to sponsorship. Average annual return of sample schemes was 7.34 percent due to diversification and 4.1 percent due to stock selectivity. The study revealed the poor market timing ability of mutual fund investment. The researcher also identified that 12 factors explained majority of total variance in portfolio management practices.

*Borensztein, E. and Gelos, G.* (2001) explores the behavior of emerging market mutual funds using a novel database covering the holdings of individual funds over the period January 1996 to March 1999. An examination of individual crises shows that, on an average, funds withdrew money one month prior to the events. The degree of herding among funds is statistically significant, but moderate. Herding is more widespread among open-ended funds than among closed-end funds, but not more prevalent during crisis than during tranquil times. Funds tend to follow momentum strategies, selling past losers and buying past winners, but their overall behavior is more complex than often suggested.

*Gavin Quill* (2001) examined the evidence that investor behavior is frequently detrimental to the achievement of investors’ long-term goals. The picture that emerges from this analysis is one of investors who have lost a good portion of their potential returns because of the excessive frequency and poor timing of their trading activities. They established that investors trade much more than they realize and much more than is conducive to the achievement of their financial plans. Investors think long-term in theory, but act according to short-term influences in practice. This excessive turnover, combined with a propensity to buy relatively over-valued investments and ignore relatively under-valued ones, has caused the average mutual fund investor to underperform substantially over the past decade.

*Gupta Amitabh* (2001) evaluated the performance of 73 selected schemes with different investment objectives, both from the public and private sector using Market Index and Fundex. NAV of both close-end and open-end schemes from April 1994 to March 1999
were tested. They found that sample schemes were not adequately diversified, risk and return of schemes were not in conformity with their objectives, and there was no evidence of market timing abilities of mutual fund industry in India.

**Karthikeyan** (2001) conducted research on Small Investors Perception on Post office Saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for Kisan Vikas Patra (KVP), National Savings Scheme (NSS), and Deposit Scheme for Retired Employees (DSRE). The Overall Score confirmed that the level of awareness among investors in the old age group was higher than in those of young age group. No differences were observed among male and female investors.

**Narasimhan M S and Vijayalakshmi S** (2001) analysed the top holding of 76 mutual fund schemes from January 1998 to March 1999. The study showed that, 62 stocks were held in portfolio of several schemes, of which only 26 companies provided positive gains. The top holdings represented more than 90 percent of the total corpus in the case of 11 funds. The top holdings showed higher risk levels compared to the return. The correlation between portfolio stocks and diversification benefits was significant at one percent level for 30 pairs and at five percent level for 53 pairs.

**Dwyer et. al.** (2002) used data from nearly 2000 mutual fund investors and found that women take less risk than men in their mutual fund investments. According to Prince, (1993); Lundeberg et al., (1994), men tend to be more confident, trade more frequently, rely less on brokers and believe that returns are more predictable and anticipate higher returns than women. Hinz et al (1997) conducted a study in US by using data from the Federal Government’s Thrift Saving Plan. Their findings showed women are less likely to hold risky assets and more likely to allocate assets towards fixed income alternatives. This is also supported by Prince (1993), Lunderberg et al (1994). According to them men are more confident than women.
Sapar, Narayan R. and Madava, R. (2003) conducted a research on the performance evaluation of Indian mutual funds in a bear market. The period of study was September 1998 to April 2002 (bear period). They started with a sample of 269 open ended schemes (out of total schemes of 433) for computing relative performance index. Then after excluding the funds whose returns are less than risk-free returns, 58 schemes were used for further analysis. Mean monthly (logarithmic) return and risk of the sample mutual fund schemes during the period were 0.59% and 7.10%, respectively, compared to similar statistics of 0.14% and 8.57% for market portfolio. The results of performance measures suggest that most of the mutual fund schemes in the sample of 58 were able to satisfy investor's expectations by giving excess returns over expected returns based on both premium for systematic risk and total risk.

Saha, Tapas Rajan (2003) identified that Prudential ICICI Balanced Fund, Zurich Equity Fund were the best among the equity funds while Pioneer ITI Treasury scheme was the best among debt schemes. He concluded that, the efficiency of the fund managers was the key in the success of mutual funds.

Ronay and Kim (2006) have pointed out that there is no difference in risk attitude between individuals of different gender, but between the groups, males indicate a stronger inclination to risk tolerance. Gender difference was found at an individual level, but in groups, males expressed a stronger pro-risk position than females.

Rao, D. N. (2006) classified 419 open-ended equity mutual fund schemes and analyzed the financial performance of selected open-ended equity mutual fund schemes for the period 1st April 2005 to 31st March 2006 pertaining to the two dominant investment styles and tested the hypothesis whether the differences in performance was statistically significant or not. The variables chosen for analyzing financial performance were monthly compounded mean return, risk per unit return and Sharpe ratio. A comparison of the financial performance of the 21 Open-ended Equity growth plans and 21 Open-ended Equity dividend plans was made in terms of the chosen variables. The analysis indicated that Growth plans generated higher returns than that of Dividend plans but at a higher
Further, 17 Growth plans generated higher returns than that of corresponding Dividend plans offered by the same Asset Management Companies (AMC) and only one Dividend plan could generate higher return than its corresponding Growth plan. However, three Growth plans and the corresponding Dividend plans had the same returns. Out of the 21 Growth plans, 4 Growth plans had higher Coefficient of Variation (Risk per unit Return) than the corresponding Dividend plans and 13 Dividend plans had higher Coefficient of Variation (Risk per unit Return) than the corresponding Growth plans offered by the AMC. Three Growth plans and three Dividend plans had almost equal Risk per unit return. A comparison of the Sharpe ratios of Growth plans and the corresponding Dividend plans indicated that 18 Growth plans out of 21 (approximately 90%) had better risk adjusted excess returns highlighting the fact that Growth plans are likely to reward the investors more for the extra risk they assumed. Pearson's correlation coefficient between the returns of the two plans was found to be moderate (0.5290) and F-test (1-tailed test) indicated a low probability (0.3753) of the variances of the returns of the two plans. Further, Student's t-test (1-tailed test) led to the rejection of Null Hypothesis and acceptance of Alternate Hypothesis at confidence levels ranging from 0.40 to 0.0005 implying that Equity Growth funds provide higher returns than that of Equity Dividend funds and the differences were statistically significant.

Byrne (2005) shows that risk and investment experience tend to indicate a positive correlation. Past experience of successful investment increases investor tolerance of risk. Inversely, unsuccessful past experience leads to reduced tolerance to risk. Therefore past investment behavior affects future investment behavior.

Corter and Chen (2006) studied that investment experience is an important factor influencing behavior. Investors with more experience have relatively high risk tolerance and they construct portfolios of higher risk.

Mostafa Soleimanzadeh (June 2006) in his article, “Learn how to invest in Mutual Funds” discussed the risk and return in mutual funds. He stated that the risk and return depend on each other, the greater the risks, the higher the potential return; the lower the
risk, the lower the expected return. Mutual funds try to reduce their risk by investing in a diversified group of individual stocks, bonds, or other securities. He concluded that the investment in stocks can get more return than mutual funds but by investing in mutual funds, the risk is lower.

Muthappan P K and Damodharan E (2006) evaluated 40 schemes for the period April 1995 to March 2000. The study identified that majority of the schemes earned returns higher than the market but lower than 91 days Treasury bill rate. The average risk of the schemes was higher than the market. 15 schemes had an above average monthly return. Growth schemes earned average monthly return. The risk and return of the schemes were not always in conformity with their stated investment objectives. The sample schemes were not adequately diversified, as the average unique risk was 7.45 percent with an average diversification of 35.01 percent. 23 schemes outperformed both in terms of total risk and systematic risk. 19 schemes with positive alpha values indicated superior performance. The study concludes that the Indian Mutual Funds were not properly diversified.

Panwar, S. and Madhumathi, R. (2006) conducted a study on public-sector sponsored and private-sector sponsored mutual funds to investigate the differences in characteristics of assets held, portfolio diversification, and variable effects of diversification on investment performance for the period May 2002 to May 2005. The study found that public-sector sponsored funds do not differ significantly from private-sector sponsored funds in terms of mean returns However, there is a significant difference between public-sector sponsored mutual funds and private-sector sponsored mutual funds in terms of average standard deviation, average variance and average coefficient of variation (COV). The study also found that there is a statistical difference between sponsorship classes in terms of ESDAR (excess standard deviation adjusted returns) as a performance measure. When residual variance (RV) is used as the measure of mutual fund portfolio diversification characteristic, there is a statistical difference between public-sector sponsored mutual funds and private-sector sponsored mutual funds for the study period. The model built on testing the impact of diversification on fund performance found a
statistical difference among sponsorship classes when residual variance is used as a measure of portfolio diversification and excess standard deviation adjusted returns as a performance measure. RV, however, has a direct impact on fund performance measure.

*Kum Martin* (October 2007) in his article, “Basics about Mutual Funds” discussed about different types of mutual funds. He stated that the equity funds involve just common stock investments. They are extremely risky but can end up earning a lot of money. He concluded that the low risk in investment will not earn a lot of returns. Mutual fund managers have to use various investment styles depending upon investor’s requirement. Most of the empirical evidences showed that mutual fund investor’s purchase decision is influenced by past performance.

*Kozup, John C., Elizabeth Howlett and Michael Pagano* (2008) explored whether a single page supplemental information disclosure impacts investors fund evaluations and investment intentions. Results indicated that while investors continue to place too much emphasis on prior performance, the provision of supplemental information, particularly in a graphical format, interacts with performance and investment knowledge to influence perceptions and evaluations of mutual funds.

*Rao,D.N.and Rao, S. B.* (2009) analyzed the performance of the 47 Balanced and 72 Income Funds in terms of Return, Risk, Return per Risk and Sharpe ratio over the past three years (2006, 2007 and 2008) during which period the Indian Stock Market had witnessed much volatility. Further, the performance of these funds was compared with that of the Market and Benchmark Indices. The Null Hypotheses were rejected leading to the acceptance of Alternate Hypothesis in all the six cases, leading to conclude that Market outperformed both the Balanced and Income Funds over Bull run and 3-year periods while both the funds outperformed the Market over Bear run period which confirms the popular belief of the Investors and Fund Managers in India.

**NEED FOR THE STUDY**
The Basic factors necessitating the need for the study is changes in the financial markets and changing investor’s comprehension level towards mutual funds. A number of newly invented Mutual funds are now available in the financial markets. The incomes of the investors and their saving habits are also undergone a lot of changes in recent times. The investor’s conception levels are also increased hastily. Once they used to select mutual funds only considering basis on risk and return attribute of mutual fund only. But now it is not the case. The investors are giving more importance to considering all other attributes like Objective of fund, port folio composition, Total risk, Total Return, Fund inception, Funds past performance, Fund manager experience, Fund size, Funds managed by fund manager, Expense ratio, Diversification, Tax benefits, Liquidity, stability for fund and income, Fund manager style and their level. So there is a great need for evaluating the attributes considered by investor in selecting mutual fund. So the emphasis is on attribute evaluation of mutual funds.

**SCOPE OF THE STUDY**

The scope of the study is reasonably broader and includes attribute evaluation by considering all the attributes like, Objective of fund, port folio composition, Total risk, Total Return, Fund inception, Funds past performance, Fund manager experience, Fund size, Funds managed by fund manager, Expense ratio, Diversification, Tax benefits, Liquidity, stability for fund and income, Fund manager style and their level. The scope of the study is confined to three mutual fund organizations and three mutual funds in the districts of Ananthapuram, Kadapa and Kurnool during the period 2007-2012.

**RESEARCH METHODOLOGY**

The present research study strictly adides by conceptual frame work of research process. All elements in various stages of research process are explained hereafter. Secondary data, the detailed information from publications, internal records, books, magazines, journals, web services. Primary data, it is the detailed information from respondents.

**Statement of the Problem**
“Mutual Fund investment is today flooded with innumerable number of players both indigenous, Foreign and collaboration. Annual Growth rate of Mutual Fund increasing offer of investment patterns and plans open the Crepitate innumerable research study aiming to throw light on various aspect of Mutual Fund Investment. These Developments resulted in offer of many products to customers by various investment agencies. The present research forms of the proposals endeavoring to establish the influence of Mutual Funds Attributes on Investors”

**OBJECTIVES OF THE STUDY**

1. Assessing the **Attribute Impact** of *Equity Fund or Growth oriented fund* on investor decisions.
2. Assessing the **Attribute Impact** of *Income or Debt oriented fund* on investor decisions.
3. Assessing the **Attribute Impact** of *Balanced or Incomes & Growth oriented fund* on investor decisions.

**HYPOTHESES**

1. $H_0$ - Investor analysis of Equity or Growth oriented Fund attributes does not influence investment decisions.  
   $H_1$ - Investor analysis of Equity or Growth oriented Attributes has an impact on Investor.
2. $H_0$ - Investor analysis of Income or Debt oriented Fund attributes does not influence investment decisions.  
   $H_1$ - Investor analysis of Income or Debt oriented fund Attributes of has an impact on Investor.
3. $H_0$ - Investor analysis of Balanced or Income and Growth oriented fund attributes does not influence investment decisions.  
   $H_1$ Investor analysis of Balanced or Income and Growth oriented fund attributes has an Impact on Investors.

**Sample Universe**
Covers maximum Investors (Male and Female) of HDFC, RELIANCE and SBI Mutual funds houses in Anantapuram, Kurnool and Kadapa

**Sampling Plan**

The area selected for the present study has been confined to Anantapuram, Kadapa and Kurnool districts of Andhra Pradesh. So, it would be useful to study the Attributes of Equity, Income and balanced funds has been selected on

**Sample Size**

Sample size of 432 respondents is selected for the study to make the study meaningful and relevant.

**Sample Distribution**

For the purpose of effective evaluation both Male and Female investors of HDFC, RELIANCE, and SBI Mutual Funds houses in Anantapuram, Kurnool and Kadapa districts are considered for offering proportionate representation.

<table>
<thead>
<tr>
<th>LOCATION COMPANY</th>
<th>ANANTAPUR</th>
<th>KURNOOL</th>
<th>KADAPA</th>
<th>TOTAL</th>
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<tbody>
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<td>HDFC</td>
<td>53</td>
<td>69</td>
<td>60</td>
<td>182</td>
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<td>RELIANCE</td>
<td>45</td>
<td>59</td>
<td>51</td>
<td>156</td>
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<td>SBI</td>
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<td>TOTAL</td>
<td>125</td>
<td>164</td>
<td>143</td>
<td>432</td>
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**Sampling Technique**

Clustered sampling is used for offering proportionate representation to investors at three mutual fund houses are HDFC, RELIANCE and SBI. Purposive sampling technique is used to select the sample investors. A sample size of 432(HDFC-192, RELIANCE- 156, SBI-92) has been taken. Data is collected from the respondents of various cities in
Andhra Pradesh like Kurnool, Anantapuram, Kadapa etc. Most of the mutual fund houses opened their offices in these cities and Cams online where applications are preliminarily processed and sends the information to the respective mutual fund head quarters through online is also having its offices in these cities. So we can easily meet the mutual fund investors at the offices of these AMCs. That is why I selected these cities for data collection.

**Sampling Frame Work**

Male and Female investors from HDFC, RELIANCE and SBI mutual fund houses in Anantapuram, Kadapa and Kurnool.

**Sample Characteristics**

Male and Female investors from Three selected Mutual Fund organization houses in Anantapuram, Kurnool and Kadapa.

**Sample Unit**

Male and female investor from selected HDFC, RELIANCE and SBI mutual fund houses, from the districts Anantapuram, Kurnool, and Kadapa Districts.

**QUESTIONNAIRE**

The questionnaire for the study is based on attributes of Equity, Debt and Balanced Mutual funds and consists 14 sets of attributes of Equity, Debt and Balanced containing a total of 57 questions encompassing all elements of the these funds. This questionnaire aims at to provide the data which is of most important in nature to enable a comprehensive analysis of impact attributes of Equity, Debt and Balanced funds on investors. The questions consists of statements, the intensities of which are measured on a 5 point Likert scale, from the respondents to extract the opinion of respondents. These questions evaluate the intensity of respondent on various parameters with high and low extremes on the scale.

**DATA SOURCES**
An empirical study of this nature should generate sufficient data through survey to base its findings on evaluation of data. The data collected for the present study comprises of both primary and secondary sources.

**Primary Data**

It is the detailed information from respondent collected through questionnaire. The respondent were interviewed and asked to fill the questionnaire. The first part of questionnaire deals with questions concerning the respondents profile in terms of their Age, Gender, Education, profession background and income. The second part of the questionnaire contains the attributes evaluation of mutual funds towards equity debt and balanced funds.

**Secondary Data**

In order to lend initial direction, development of relationship and formulation of hypotheses, secondary data was collected from all the sources available. The sources of secondary data pertaining to Equity, Debt and Balanced fund are government publications, magazines, journals, Survey reports and reference books etc. Major source of secondary data being SEBI Web site.

**STATISTICAL TOOLS APPLIED FOR ANALYSIS**

The data collected through questionnaire is in the form of offered by investors for a specific attribute. Number of respondent indicating different weightages. For each element of the attribute is displayed, finally leading to the number respondents indicating different weightages. Weighted averages are arrived at, which lead to the cumulative weighted average for each concept by 432 respondents.

**Cumulative weighted average:** is used to describe the profile of the respondent and attributes evaluation of mutual funds of Equity, Debt and Balanced.

**Chi-Square test** - Chi-Square test is used for the purpose of testing the influence of one variable on the other the test has been administered to study the influence of the demographic variables, attributes of mutual funds.
LIMITATIONS OF THE STUDY

A research study of the nature could not be carried out without any limitation. Hence this research study is limited to principally the population, target population and sample population as their opinions; attribute evaluation there on the findings of the study. Second factor is the time factor which exerts magnificent influence on the intensify of sample population.

In a study of this magnitude thought, meticulous care has been taken in each and every aspect of the study.

1. Some respondents are unaware of certain attributes and their levels.
2. A few respondents are hesitant to give exact details
3. There might be a sense of bias crept in answers given by respondents.
4. Despite the above limitations, the researcher put in all his best efforts in overcoming the limitation and completing the study.
5. The period of the study is six year and also a limitation.

References